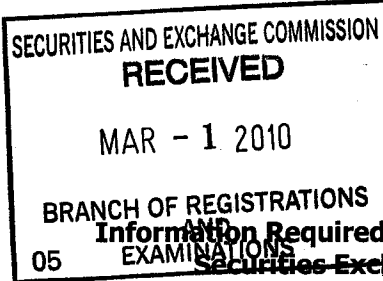


UNITED STATES  
SECURITIES AND EXCHANGE  
Washington, D.C. 20549



10028418

IB APPROVAL  
r: 3235-0123  
February 28, 2010  
Estimated average burden  
Hours per response ..... 12.00



ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

SEC FILE NUMBER  
8-67046

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/09 AND ENDING 12/31/09  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

MOG Capital, LLC

OFFICIAL USE ONLY

FIRM ID NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

2 Rector Street, 3rd Floor

(No. and Street)

New York

New York

10006

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Jason Adler

(212) 659-3874

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

McGladrey & Pullen, LLP

(Name - if individual, state last, first, middle name)

One South Wacker Drive, Suite 800

Chicago

Illinois

60606-3392

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2).

BB 3/10

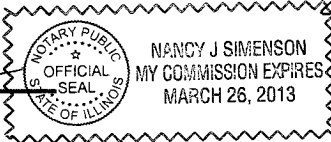
## OATH OR AFFIRMATION

I, Jason Adler, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of MOG Capital, LLC, as of December 31, 2009, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer.

Sworn and subscribed to me on the

19th day of February, 2010

Nancy J. Simenson  
Notary Public



[Signature]  
Signature  
Executive Officer  
Title

This report\*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss).
- ☐ (d) Statement of Cash Flows.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statement of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☐ (o) Independent Auditors' Report on Internal Control.

\*\*For conditions of confidential treatment of certain portions of this filing, see Section 240.17a-5(e)(3).

## Contents

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Independent Auditor's Report	1
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Statement of Financial Condition	2
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# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report

To the Managing Member  
MOG Capital, LLC  
New York, New York

We have audited the accompanying statement of financial condition of MOG Capital, LLC (the Company) as of December 31, 2009, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit of the statement of financial condition provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of MOG Capital, LLC as of December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

*McGladrey & Pullen, LLP*

Chicago, Illinois  
February 26, 2010

**MOG Capital, LLC**

**Statement of Financial Condition  
December 31, 2009**

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**Assets**

Securities owned, pledged	\$ 1,219,037,981
Receivable from Investing Member	408,531
Furniture, equipment and leasehold improvements, net of accumulated depreciation and amortization of \$585,884	425,963
Other assets	<u>54,227</u>
<b>Total assets</b>	<b><u>\$ 1,219,926,702</u></b>

**Liabilities and Members' Equity**

Liabilities	
Securities sold, not yet purchased	\$ 878,177,909
Due to clearing broker	241,553,744
Accounts payable and accrued expenses	<u>1,033,441</u>
	<u>1,120,765,094</u>
Members' equity	
Members' equity before loans receivable	99,163,754
Loans receivable from Investing Member	<u>(2,146)</u>
	<u>99,161,608</u>
<b>Total liabilities and members' equity</b>	<b><u>\$ 1,219,926,702</u></b>

See Notes to Statement of Financial Condition.

## MOG Capital, LLC

### Notes to Statement of Financial Condition

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#### Note 1. Organization and Summary of Significant Accounting Policies

**Nature of operations:** MOG Capital, LLC (the Company) is a securities broker-dealer registered with the Securities and Exchange Commission that buys, sells and deals as principal in securities and derivative financial instruments for its own account. All of the Company's transactions are cleared through Merrill Lynch Professional Clearing Corp. (Merrill Lynch).

A summary of the Company's significant accounting policies follows:

**Accounting policies:** The Company follows accounting standards established by the Financial Accounting Standards Board (the FASB) to ensure consistent reporting of financial condition, results of operation, and cash flows. References to Generally Accepted Accounting Principles (GAAP) in these footnotes are to the *FASB Accounting Standards Codification*<sup>™</sup>, sometimes referred to as the Codification or ASC. The Codification is effective for periods ending on or after September 15, 2009.

**Use of estimates:** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Securities and derivative financial instruments:** Securities and derivative financial instruments transactions are recorded on a trade date basis. Positions are carried at fair value with unrealized gains and losses recorded as part of revenue. Related commissions and other trading fees are recorded on trade date and reflected separately in the statement of income.

Receivable and payable amounts for securities transactions that have not reached their contractual settlement date are recorded net in the statement of financial condition.

**Income taxes:** Under the provisions of the Internal Revenue Code, the Company is treated as a partnership and, accordingly, is not subject to federal income taxes. Instead, members are liable for federal income taxes on their respective shares of taxable income.

**Furniture, equipment and leasehold improvements:** Furniture and equipment are depreciated using accelerated methods over the estimated useful lives of the assets. Leasehold improvements are amortized on a straight-line basis over the lesser of the estimated useful life or the lease term.

**Fair value of financial instruments:** Substantially all of the Company's assets and liabilities are considered financial instruments and are either already reflected at fair values, or are short-term or replaceable on demand. Therefore, their carrying amounts approximate their fair values.

#### Note 2. The Operating Agreement

AlphaBet Management, LLC, the Company's managing member (Managing Member), has the exclusive rights to manage the Company. The Managing Member is also the investment manager of AlphaBet Partners, L.P., the Company's investing member (Investing Member), which is an investment partnership.

## MOG Capital, LLC

### Notes to Statement of Financial Condition

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#### **Note 2. The Operating Agreement (Continued)**

The Investing Member and the Trading Members (the Company's proprietary traders) have no voting rights or rights to manage the Company. The Company's net income or loss is first allocated to the Trading Members based on the terms of their individual agreements, and remaining net income or loss is allocated to the Investing Member. As of December 31, 2009, the Investing Member's equity and the Trading Members' equity were \$98,296,810 (net of loans receivable of \$2,146) and \$864,798, respectively.

The Company had a receivable of \$408,531 due from the Investing Member at December 31, 2009. The receivables were for purchases of two investments made on behalf of the Investment Member.

Other expenses at December 31, 2009, includes administrative expenses paid to the Managing Member for reimbursement of certain payroll and other overhead expenses.

#### **Note 3. Assets and Liabilities Reported at Fair Value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company utilizes valuation techniques to maximize the use of observable inputs and minimize the use of unobservable inputs. Assets and liabilities recorded at fair value are categorized within the fair value hierarchy based upon the level of judgment associated with the inputs used to measure their value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under SFAS 157 are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The type of investments included in Level 1 include listed equities and listed derivatives.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives.

Level 3: Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). A market is active if there are sufficient transactions on an ongoing basis to provide current pricing information for the asset or liability, pricing information is released publicly, and price quotations do not vary substantially either over time or among market makers. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity.

## MOG Capital, LLC

### Notes to Statement of Financial Condition

#### Note 3. Assets and Liabilities Reported at Fair Value (Continued)

Securities that trade in active markets and are valued using quoted market prices, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency are classified within Level 1 of the fair value hierarchy. Exchange-traded derivative contracts are valued using exchange settlement prices and typically fall within Level 1 or Level 2 of the fair value hierarchy depending on whether they are deemed to be actively traded or not.

Certain Over-the-Counter warrants are valued using the Black-Scholes model, discounting the historic volatilities by between 25-50 percent based on the lack of marketability and liquidity.

The following table presents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2009:

Description	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets Level 1	Fair Value Measurements Significant Other Observable Inputs Level 2	Fair Value Measurements Significant Unobservable Inputs Level 3
Securities owned			
Exchange-traded equities	\$ 872,234,627	\$ 1,000,000	\$ -
Exchange-traded options	342,290,961	-	3,503,302
Other	-	9,091	-
Total securities owned	<u>\$ 1,214,525,588</u>	<u>\$ 1,009,091</u>	<u>\$ 3,503,302</u>
Securities sold, not yet purchased			
Exchange-traded equities	\$ 538,355,029	\$ -	\$ -
Exchange-traded options	339,822,880	-	-
Total securities sold, not yet purchased	<u>\$ 878,177,909</u>	<u>\$ -</u>	<u>\$ -</u>

#### Note 4. Derivative Instruments

Expanded disclosure is presented, in accordance with recent FASB guidance, to provide the users of the financial statements with an enhanced understanding of the use of derivative instruments, and how derivative and hedging activities affect financial position, performance, and cash flows. The Company adopted the provisions of this guidance effective January 1, 2009. The Company's derivative activities are trading of equity options and futures. These derivative contracts are recorded on the statement of financial condition as assets and liabilities measured at fair value and the related gain (loss) associated with these derivatives is recorded in the statement of income. The Company does not consider any derivative instruments to be hedging instruments, as those terms are generally understood.



## MOG Capital, LLC

### Notes to Statement of Financial Condition

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#### Note 4. Derivative Instruments (Continued)

As of December 31, 2009 and for the year then ended, the Company's derivative activities had the following impact on the Statement of Financial Condition and the Statement of Income:

	Derivatives Assets and Liabilities Statement of Financial Condition Location	Fair Value of Derivative Assets	Fair Value of Derivative Liabilities	Net	Contracts (Long and Short)
Equity options	Securities owned and securities sold, net yet purchased	\$ 342,290,961	\$ 339,822,880	\$ 2,468,081	\$ 3,154,219
Futures contracts					
Index	Due to clearing broker	2,023,027	-	-	82
Weather	Due to clearing broker	185,599	-	-	421

The Company has adopted the policy for alternative disclosure to include both the trading gains and losses from derivative and non-derivative instruments in trading income on the statement of income.

#### Note 5. Loans Receivable from Investing Member

On September 1, 2008, the Company entered into a revolving loan agreement with the investing Member that matures on January 31, 2015. Aggregate borrowings may not exceed \$50,000,000. Borrowings are due one year from the date of the advance. Interest is based on the federal funds rate plus 1 percent on the outstanding principal balance (1-1/4 percent at December 31, 2009). Loans receivable are presented as a component of members' equity.

#### Note 6. Income Taxes

FASB issued new guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. The Partnership adopted this new guidance for the year ended December 31, 2009. The guidance requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense and liability in the current year. For the year ended December 31, 2009, management has determined that there are no material uncertain income tax positions. The Company is generally not subject to examination by U.S. federal and state tax authorities for tax years before 2006.

#### Note 7. Lease Commitments

The Company leases office under a sublease expiring June 30, 2010. The total minimum rental commitment at December 31, 2009, under this sublease for 2010 is \$24,325.

Notes to Statement of Financial Condition

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**Note 8. Financial Instruments with Off-Balance-Sheet Risk**

The Company, in connection with its proprietary trading activities, enters into transactions involving derivative financial instruments, primarily options on equity securities. Options held provide the Company with the opportunity to deliver or take delivery of specified financial instruments at a contracted price. Options written obligate the Company to deliver or take delivery of specified financial instruments at a contracted price in the event the option is exercised by the holder. These financial instruments may have market risk and/or credit risk in excess of amounts recorded in the statement of financial condition.

**Market risk:** Derivative financial instruments involve varying degrees of off-balance-sheet market risk. Changes in the market values of the underlying financial instruments may result in changes in the value of the derivative financial instruments. Exposure to market risk is influenced by a number of factors, including the relationships between the derivative financial instruments and the volatility and liquidity in the markets in which the derivative financial instruments are traded. In many cases, the use of derivative financial instruments serves to modify or offset market risk associated with other transactions and, accordingly, serves to decrease the Company's overall exposure to market risk. The Company attempts to manage its exposure to market risk arising from the use of these derivative financial instruments through various analytical monitoring techniques.

The Company has sold securities that it does not own and will therefore be obligated to purchase such securities at a future date. The Company has recorded these obligations in the statement of financial condition at the market values of the related securities and will incur a loss if the market value of the securities increases subsequent to December 31, 2009.

**Credit risk:** Credit risk arises from the potential inability of counterparties to perform in accordance with the terms of the contract. The Company's exposure to credit risk associated with counterparty nonperformance is limited to the current cost to replace all contracts in which the Company has a gain. Exchange traded financial instruments, such as futures and options, generally do not give rise to significant counterparty exposure due to the cash settlement procedures for daily market movements or the margin requirements of the individual exchanges and clearing brokers.

**Concentration of credit risk:** All trades of the Company are cleared through Merrill Lynch. Amounts due to the clearing broker, if any, and securities sold, not yet purchased are collateralized by securities owned and cash on deposit with the clearing broker. Pursuant to agreement, Merrill Lynch is required to, among other things, perform computations for proprietary accounts of introducing brokers (PAIB) and segregate certain assets on behalf of the Company. However, in the event of Merrill Lynch's insolvency or in the event it does not fulfill its obligations, the Company may be exposed to risk. The Company attempts to minimize this credit risk by monitoring the creditworthiness of its clearing broker.

**Note 9. Net Capital Requirements**

Pursuant to Rule 15c3-1 of the Securities and Exchange Commission, the Company is required to maintain "net capital" equal to the greater of \$100,000 or 6-2/3 percent of "aggregate indebtedness," as these terms are defined and a ratio of "aggregate indebtedness" to "net capital" less than 15 to 1, as these terms are defined. Net capital changes from day to day, but at December 31, 2009, the Company had net capital and net capital requirements of approximately \$65,738,000 and \$100,000, respectively, and its net capital ratio was 0.02 to 1. The minimum net capital requirements may effectively restrict the payment of distributions.

**MOG Capital, LLC**

**Notes to Statement of Financial Condition**

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**Note 10. Indemnifications**

In the normal course of business, the Company enters into contracts that contain a variety of representations and warranties that provide indemnifications under certain circumstances. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. The Company expects the risk of future obligation under these indemnifications to be remote.

**Note 11. Subsequent Event**

The Company evaluated subsequent events for potential recognition and/or through the date that these statements were issued.

# **MOG Capital, LLC**

Financial Report  
December 31, 2009

Filed as PUBLIC information pursuant to Rule 17a-5(d) under the Securities  
Exchange Act of 1934.

# McGladrey & Pullen

Certified Public Accountants

## Independent Accountants' Report on Applying Agreed-Upon Procedures

To the Managing Member  
MOG Capital, LLC  
2 Rector Street, 3<sup>rd</sup> Floor  
New York, New York, 10006

Attention: Jason Adler

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments [Transitional Assessment Reconciliation (Form SIPC-7T)] to the Securities Investor Protection Corporation (SIPC) for the period from April 1, 2009 to December 31, 2009, which were agreed to by MOG Capital, LLC (the Company), the Securities and Exchange Commission, the Chicago Board Options Exchange, and SIPC, solely to assist you and these other specified parties in evaluating the Company's compliance with the applicable instructions of the Transitional Assessment Reconciliation (Form SIPC-7T). The Company's management is responsible for the Company's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7T with respective cash disbursement record entries, noting no differences.
2. Compared the Total Revenue amounts of the audited financial statements for the year ended December 31, 2009 less revenues reported on the FOCUS reports for the period from January 1, 2009 to March 31, 2009, as applicable, with the amounts reported in Form SIPC-7T for the period from April 1, 2009 to December 31, 2009, noting no differences.
3. Compared any adjustments reported in Form SIPC-7T with supporting schedules and working papers, noting no differences.
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7T and in the related schedules and working papers supporting the adjustments, noting no differences.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

*McGladrey & Pullen, LLP*

Chicago, Illinois  
February 26, 2010

**SIPC-7T**

(29-REV 12/09)

**SECURITIES INVESTOR PROTECTION CORPORATION**  
 805 15th St. N.W., Suite 800, Washington, D.C. 20005-2215  
 202-371-8300

**Transitional Assessment Reconciliation**

(Read carefully the instructions in your Working Copy before completing this Form)

**SIPC-7T**

(29-REV 12/09)

**TO BE FILED BY ALL SIPC MEMBERS WITH FISCAL YEAR ENDINGS**

1. Name of Member, address, Designated Examining Authority, 1934 Act registration no. and month in which fiscal year ends for purposes of the audit requirement of SEC Rule 17a-5:

MOG Capital, LLC  
2 Rector Street, 3rd Floor  
New York, NY 10006

Note: If any of the information shown on the mailing label requires correction, please e-mail any corrections to form@sipc.org and so indicate on the form filed.

Name and telephone number of person to contact respecting this form.

Tom Kobylarz (212) 659-3973

**WORKING COPY**

2. A. General Assessment (Item 2e from page 2 (not less than \$150 minimum)) \$ 150
- B. Less payment made with SIPC-6 filed including \$150 paid with 2009 SIPC-4 (exclude interest) ( 150 )
- C. Less prior overpayment applied ( 0 )
- D. Assessment balance due or (overpayment) 150
- E. Interest computed on late payment (see instruction E) for 0 days at 20% per annum ( 0 )
- F. Total assessment balance and interest due (or overpayment carried forward) \$ 150
- G. PAID WITH THIS FORM:  
 Check enclosed, payable to SIPC  
 Total (must be same as F above) \$ 150
- H. Overpayment carried forward \$( 0 )

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):

None

The SIPC member submitting this form and the person by whom it is executed represent thereby that all information contained herein is true, correct and complete.

MOG Capital, LLC

(Name of Corporation, Partnership or other organization)

[Signature]  
 (Authorized Signature)

CFO  
 (Title)

Dated the 26 day of February, 2010.

This form and the assessment payment is due 60 days after the end of the fiscal year. Retain the Working Copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.

**SIPC REVIEWER**

Dates: Postmarked Received Reviewed

Calculations Documentation Forward Copy

Exceptions:

Disposition of exceptions:

# **DETERMINATION OF "SIPC NET OPERATING REVENUES" AND GENERAL ASSESSMENT**

Amounts for the fiscal period  
beginning April 1, 2009  
and ending 12/31, 20 10  
Eliminate cents

Item No.

2a. Total revenue (FOCUS Line 12/Part IIA Line 9, Code 4030)

\$ 1,335,925

2b. Additions:

(1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above.

10,929,523

(2) Net loss from principal transactions in securities in trading accounts.

337,315

(3) Net loss from principal transactions in commodities in trading accounts.

(4) Interest and dividend expense deducted in determining item 2a.

(5) Net loss from management of or participation in the underwriting or distribution of securities.

(6) Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities.

(7) Net loss from securities in investment accounts.

11,266,838

Total additions

2c. Deductions:

(1) Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts, and from transactions in security futures products.

(2) Revenues from commodity transactions.

(3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions.

9,857,962

(4) Reimbursements for postage in connection with proxy solicitation.

(5) Net gain from securities in investment accounts.

(6) 100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date.

(7) Direct expenses of printing advertising and legal fees incurred in connection with other revenue related to the securities business (revenue defined by Section 16(9)(L) of the Act).

(8) Other revenue not related either directly or indirectly to the securities business.  
(See Instruction C):

(9) (i) Total interest and dividend expense (FOCUS Line 22/PART IIA Line 13, Code 4075 plus line 2b(4) above) but not in excess of total interest and dividend income.

11,074,202

(ii) 40% of interest earned on customers securities accounts (40% of FOCUS line 5, Code 3960).

\$                     

11,074,202

Enter the greater of line (i) or (ii)

20,932,164

Total deductions

2d. SIPC Net Operating Revenues

\$           ( 8,329,401 )          

2e. General Assessment @ .0025

\$           150            
(to page 1 but not less than  
\$150 minimum)